

Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

*“...providing sustainable local government to our rural communities
through consultation and sound financial management”*



Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2017

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Cabonne Council.

(ii) Cabonne Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 23 October 2017. Council has the power to amend and reissue these financial statements.

Cabonne Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Cabonne Council

General Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

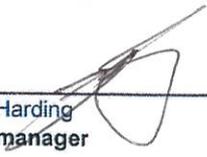
Signed in accordance with a resolution of Council made on 26 September 2017.



Kevin John Beatty
Mayor



Anthony Luke Durkin
Councillor



Stephen Harding
General manager



Evan Webb
Responsible accounting officer

Cabonne Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
<i>Revenue:</i>				
13,232	Rates and annual charges	3a	13,183	12,572
9,793	User charges and fees	3b	13,000	10,855
1,221	Interest and investment revenue	3c	1,255	1,390
618	Other revenues	3d	569	529
12,317	Grants and contributions provided for operating purposes	3e,f	15,640	10,515
18,729	Grants and contributions provided for capital purposes	3e,f	5,929	5,976
<i>Other income:</i>				
300	Net gains from the disposal of assets	5	729	558
–	Net share of interests in joint ventures and associates using the equity method	19	–	177
56,210	Total income from continuing operations		50,305	42,572
Expenses from continuing operations				
12,660	Employee benefits and on-costs	4a	11,592	12,342
171	Borrowing costs	4b	170	182
5,397	Materials and contracts	4c	9,593	5,728
9,792	Depreciation and amortisation	4d	10,340	9,809
–	Impairment	4d	–	191
5,104	Other expenses	4e	5,249	4,776
33,124	Total expenses from continuing operations		36,944	33,028
23,086	Operating result from continuing operations		13,361	9,544
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
23,086	Net operating result for the year		13,361	9,544
23,086	Net operating result attributable to Council		13,361	9,544
–	Net operating result attributable to non-controlling interests		–	–
4,357	Net operating result for the year before grants and contributions provided for capital purposes		7,432	3,568

¹ Original budget as approved by Council – refer Note 16

Cabonne Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		13,361	9,544
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	6,687	15,565
Other comprehensive income – joint ventures and associates	19b	–	285
Total items which will not be reclassified subsequently to the operating result		6,687	15,850
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	–	(86)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(86)
Total other comprehensive income for the year		6,687	15,764
Total comprehensive income for the year		20,048	25,308
Total comprehensive income attributable to Council		20,048	25,308
Total comprehensive income attributable to non-controlling interests		–	–

Cabonne Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	10,629	19,887
Investments	6b	36,000	25,000
Receivables	7	3,712	4,081
Inventories	8	941	1,326
Other	8	108	61
Total current assets		51,390	50,355
Non-current assets			
Receivables	7	1,008	936
Inventories	8	215	371
Infrastructure, property, plant and equipment	9	548,005	529,381
Investments accounted for using the equity method	19	20,324	20,324
Intangible assets	25	74	153
Other	8	282	282
Total non-current assets		569,908	551,447
TOTAL ASSETS		621,298	601,802
LIABILITIES			
Current liabilities			
Payables	10	3,127	3,534
Income received in advance	10	274	259
Borrowings	10	204	204
Provisions	10	3,919	3,902
Total current liabilities		7,524	7,899
Non-current liabilities			
Payables	10	50	46
Borrowings	10	2,113	2,317
Provisions	10	1,617	1,594
Total non-current liabilities		3,780	3,957
TOTAL LIABILITIES		11,304	11,856
Net assets		609,994	589,946
EQUITY			
Retained earnings	20	341,158	327,797
Revaluation reserves	20	268,836	262,149
Council equity interest		609,994	589,946
Total equity		609,994	589,946

Cabonne Council

Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017				2016			
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity
Opening balance (as per last year's audited accounts)		329,872	262,149	592,021	592,021	317,985	246,653	564,638	564,638
a. Correction of prior period errors	20 (c)	(2,075)	–	(2,075)	(2,075)	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–
Revised opening balance		327,797	262,149	589,946	589,946	317,985	246,653	564,638	564,638
c. Net operating result for the year		13,361	–	13,361	13,361	9,544	–	9,544	9,544
d. Other comprehensive income									
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	6,687	6,687	6,687	–	15,565	15,565	15,565
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	285	–	285	285
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–
– Other movements	20a	–	–	–	–	(86)	–	(86)	(86)
Other comprehensive income		–	6,687	6,687	6,687	199	15,565	15,764	15,764
Total comprehensive income (c&d)		13,361	6,687	20,048	20,048	9,743	15,565	25,308	25,308
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	69	(69)	–	–
Equity – balance at end of the reporting period		341,158	268,836	609,994	609,994	327,797	262,149	589,946	589,946

Cabonne Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
13,232	Rates and annual charges		13,124	12,425
9,873	User charges and fees		13,182	12,450
1,221	Investment and interest revenue received		1,204	1,403
31,333	Grants and contributions		22,149	16,374
–	Bonds, deposits and retention amounts received		–	128
1,618	Other		3,727	754
Payments:				
(13,187)	Employee benefits and on-costs		(11,604)	(11,752)
(6,150)	Materials and contracts		(9,064)	(6,309)
(147)	Borrowing costs		(146)	(158)
–	Bonds, deposits and retention amounts refunded		(4)	(256)
(4,722)	Other		(9,426)	(5,745)
33,071	Net cash provided (or used in) operating activities	11b	23,142	19,314
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		91,500	25,000
–	Sale of real estate assets		285	–
–	Sale of infrastructure, property, plant and equipment		1,708	1,201
–	Deferred debtors receipts		26	14
Payments:				
–	Purchase of investment securities		(102,500)	(29,619)
(42,459)	Purchase of infrastructure, property, plant and equipment		(23,215)	(16,425)
(42,459)	Net cash provided (or used in) investing activities		(32,196)	(19,829)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(204)	Repayment of borrowings and advances		(204)	(192)
(204)	Net cash flow provided (used in) financing activities		(204)	(192)
(9,592)	Net increase/(decrease) in cash and cash equivalents		(9,258)	(707)
44,887	Plus: cash and cash equivalents – beginning of year	11a	19,887	20,594
35,295	Cash and cash equivalents – end of the year	11a	10,629	19,887
Additional Information:				
plus:	Investments on hand – end of year	6b	36,000	25,000
Total cash, cash equivalents and investments			46,629	44,887

Please refer to Note 11 for additional cash flow information

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

Rental income is accounted for on a straight-line basis over the lease term.

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- *General Purpose Operations*
- *Cabonne Water Fund*
(Molong, Cumnock & Yeoval)
- *Cabonne Sewer Fund*
(Molong, Canowindra, Eugowra, Cudal, Manildra, Cumnock & Yeoval)

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) County Councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act*):

▪ Central Tablelands County Council

The governing body of each county council is responsible for managing its own affairs.

Council is of the opinion that it has significant influence over the county council/s and has accordingly accounted for it as an associate.

Detailed information relating to Council's interest in the above county council can be found at Note 19 (b).

(iv) Interest in other entities

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and

rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(j) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Water and sewerage networks

Internally valued:

- Community land
- Land improvements
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks

- Stormwater drainage
- Swimming pools
- Other open space/recreational assets

As approximated by depreciated historical cost:

- Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water Rates Reference Manual.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant & Equipment

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	7 to 10 years
- Other plant and equipment	5 to 7 years

Other Equipment

- Playground equipment	15 to 35 years
- Benches, seats etc	15 years

Buildings

- Buildings: Masonry	100 years
- Buildings: Other	33 to 50 years

Stormwater Drainage

- Drains	60 years
- Culverts	60 years

Transportation Assets

- Sealed Roads: Surface	30 years
- Sealed Roads: Structure	75 years
- Unsealed roads	40 years
- Bridge:	150 years
- Kerb, Gutter & paths	100 years

Water & Sewer Assets

- Dams and reservoirs	100 years
- Bores	30 years
- Reticulation pipes: PVC	40 to 80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	10 to 70 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	70 years
- Other Structures	15 to 110 years
- Other Open Space/ Recreational Assets	15 to 110 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure

required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Land under roads

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

(u) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

(v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all fire fighting equipment purchased or constructed wholly or from money to the credit of the

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”.

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(z) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	124	147	136	1,534	726	1,151	(1,410)	(579)	(1,015)	78	80	46,056	51,913
Administration	814	1,027	684	(576)	2,519	1,439	1,390	(1,492)	(755)	–	–	18,606	16,614
Public order and safety	250	352	165	988	951	990	(738)	(599)	(825)	–	–	3,762	3,765
Health	103	97	106	577	643	643	(474)	(546)	(537)	–	–	3,452	3,584
Environment	2,949	2,008	1,916	2,544	2,913	2,380	405	(905)	(464)	258	230	69,259	53,539
Community services and education	1,604	1,761	1,705	3,170	1,924	2,009	(1,566)	(163)	(304)	666	643	4,436	4,127
Housing and community amenities	360	446	609	631	823	817	(271)	(377)	(208)	–	–	1,710	1,883
Water supplies	16,800	4,144	1,666	1,281	1,215	1,346	15,519	2,929	320	2,883	3,080	32,970	26,202
Sewerage services	2,085	2,130	2,152	2,202	2,310	2,276	(117)	(180)	(124)	86	382	48,301	42,046
Recreation and culture	86	231	122	3,927	3,270	3,210	(3,841)	(3,039)	(3,088)	211	93	27,577	42,447
Mining, manufacturing and construction	1,862	1,289	2,175	1,988	1,458	1,632	(126)	(169)	543	–	–	1,852	1,710
Transport and communication	13,444	18,701	15,429	13,550	17,485	14,397	(106)	1,216	1,032	4,303	1,258	340,666	331,036
Economic affairs	419	415	343	1,188	707	738	(769)	(292)	(395)	5	–	2,327	2,612
Total functions and activities	40,900	32,748	27,208	33,004	36,944	33,028	7,896	(4,196)	(5,820)	8,490	5,766	600,974	581,478
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	177	–	–	–	–	–	177	–	–	20,324	20,324
General purpose income ¹	15,310	17,557	15,187	120	–	–	15,190	17,557	15,187	6,858	4,564	–	–
Operating result from continuing operations	56,210	50,305	42,572	33,124	36,944	33,028	23,086	13,361	9,544	15,348	10,330	621,298	601,802

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		2,745	2,694
Farmland		4,908	4,791
Mining		1,723	1,708
Business		241	232
Total ordinary rates		9,617	9,425
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,131	1,036
Water supply services		435	396
Sewerage services		1,741	1,414
Waste management services (non-domestic)		178	220
Section 611 charges		7	7
Stormwater levy		74	74
Total annual charges		3,566	3,147
TOTAL RATES AND ANNUAL CHARGES		13,183	12,572

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		694	762
Sewerage services		82	93
Total user charges		776	855
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Discretionary fees – other		335	357
Planning and building regulation		322	277
Private works – section 67		242	243
Section 603 certificates		28	28
Waste management		121	129
Total fees and charges – statutory/regulatory		1,048	1,034
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park		137	107
Cemeteries		58	70
Child care		588	611
Lease rentals		77	71
Quarry revenues		1,195	2,038
RMS (formerly RTA) charges (state roads not controlled by Council)		9,107	6,045
Trade waste		14	24
Total fees and charges – other		11,176	8,966
TOTAL USER CHARGES AND FEES		13,000	10,855

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		83	52
– Interest earned on investments (interest and coupon payment income)		1,018	1,361
Dividend income		154	96
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		–	(119)
TOTAL INTEREST AND INVESTMENT REVENUE		<u>1,255</u>	<u>1,390</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		52	52
General Council cash and investments		1,030	1,099
Restricted investments/funds – external:			
Development contributions			
– Section 94		7	10
Water fund operations		71	79
Sewerage fund operations		64	69
Domestic waste management operations		31	34
Restricted investments/funds – internal:			
Internally restricted assets		–	47
Total interest and investment revenue recognised		<u>1,255</u>	<u>1,390</u>
(d) Other revenues			
Legal fees recovery – rates and charges (extra charges)		16	23
Commissions and agency fees		26	26
Diesel rebate		127	164
Gravel pit restoration		95	84
Insurance claim recoveries		10	–
Rebates received		133	41
Recycling income (non-domestic)		86	75
Lehman Bros interim payment		–	102
Fire and Emergency Services Levy		65	–
Other		11	14
TOTAL OTHER REVENUE		<u>569</u>	<u>529</u>

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,863	2,490	–	–
Financial assistance – local roads component	2,899	1,972	–	–
Pensioners' rates subsidies – general component	96	102	–	–
Total general purpose	6,858	4,564	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	12	–	–
– Sewerage	25	26	–	–
– Domestic waste management	41	41	–	–
Water supplies	–	–	2,883	405
Sewerage services	–	–	–	291
Community services	665	643	–	–
Environment	131	138	128	92
Museums	–	–	150	–
Economic development	5	–	–	–
LIRS subsidy	86	91	–	–
Recreation and culture	60	54	–	39
Street lighting	38	38	–	–
Transport and communication	898	–	279	1,221
Transport and communication – roads to recovery	3,089	2,675	–	–
Total specific purpose	5,050	3,718	3,440	2,048
Total grants	11,908	8,282	3,440	2,048
Grant revenue is attributable to:				
– Commonwealth funding	3,401	2,983	–	409
– State funding	8,507	5,299	3,440	1,639
	11,908	8,282	3,440	2,048

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	53	51	–	–
Total developer contributions	53	51	–	–
Other contributions:				
Administration	10	2	–	–
Bushfire services	–	–	328	136
Community services	224	183	–	–
Economic affairs	12	2	–	–
Environment	10	9	–	–
Governance	78	133	–	–
Health	69	67	–	–
Recreation and culture	6	9	–	–
RMS contributions (regional roads, block grant)	1,548	1,520	1,019	1,692
Sewerage (excl. section 64 contributions)	–	–	117	128
Transport and communication	1,722	257	981	1,966
Water supplies (excl. section 64 contributions)	–	–	44	6
Total other contributions	3,679	2,182	2,489	3,928
Total contributions	3,732	2,233	2,489	3,928
TOTAL GRANTS AND CONTRIBUTIONS	15,640	10,515	5,929	5,976

\$ '000	Actual 2017	Actual 2016
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(g) Unspent grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	3,154	2,430
Add: grants and contributions recognised in the current period but not yet spent:	6,759	2,132
Less: grants and contributions recognised in a previous reporting period now spent:	(2,230)	(1,408)
Net increase (decrease) in restricted assets during the period	4,529	724
Unexpended and held as restricted assets	7,683	3,154
Comprising:		
– Specific purpose unexpended grants	3,727	573
– Developer contributions	799	767
– Other contributions	3,157	1,814
	7,683	3,154

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		9,309	9,572
Travel expenses		440	422
Employee leave entitlements (ELE)		1,308	1,629
Superannuation		1,110	1,223
Workers' compensation insurance		204	335
Fringe benefit tax (FBT)		67	84
Pre employment medicals		10	8
Protective clothing		59	50
Training costs (other than salaries and wages)		132	299
Other		71	61
Total employee costs		12,710	13,683
Less: capitalised costs		(1,118)	(1,341)
TOTAL EMPLOYEE COSTS EXPENSED		11,592	12,342
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		145	157
Total interest bearing liability costs expensed		145	157
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	25	25
Total other borrowing costs		25	25
TOTAL BORROWING COSTS EXPENSED		170	182
(c) Materials and contracts			
Raw materials and consumables		3,111	2,650
Contractor and consultancy costs			
– Consultancy costs		14	18
– Caretaker fees		157	109
– Cleaning		93	89
– Licence agreements		339	321
– Service contracts		5,659	2,274
– Valuation fees		60	58
Auditors remuneration ⁽¹⁾		47	32
Legal expenses:			
– Legal expenses: planning and development		61	17
– Legal expenses: other		52	160
TOTAL MATERIALS AND CONTRACTS		9,593	5,728

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		39	–
Remuneration for audit and other assurance services		39	–
Total Auditor-General remuneration		39	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors (and the Auditors of other consolidated entities):			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		8	32
Remuneration for audit and other assurance services		8	32
Total remuneration of other Council's Auditors		8	32
Total Auditor remuneration		47	32
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,317	2,173
Office equipment		94	151
Furniture and fittings		44	38
Land improvements (depreciable)		151	153
Infrastructure:			
– Buildings – non-specialised		81	92
– Buildings – specialised		1,416	1,394
– Other structures		265	259
– Roads		3,715	3,553
– Bridges		386	372
– Footpaths		60	58
– Stormwater drainage		420	418
– Water supply network		464	452
– Sewerage network		810	562
– Swimming pools		26	46
Asset reinstatement costs	9 & 26	6	3
Intangible assets	25	85	85
Total depreciation and amortisation costs		10,340	9,809
Impairment			
Infrastructure:			
– Buildings – non-specialised		–	191
Total impairment costs		–	191
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		10,340	10,000

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		64	94
Bank charges		31	26
Commissions paid		15	18
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		19	23
– NSW fire brigade levy		43	36
– NSW rural fire service levy		353	339
– Orange City Council		22	–
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		115	121
Councillors' expenses (incl. mayor) – other (excluding fees above)		34	37
Donations, contributions and assistance to other organisations (Section 356)		27	49
Donations, contributions and assistance to community groups		504	607
Electricity and heating		452	528
External hire		1,420	917
Fair value decrements – I,PP&E	9(a)	–	14
Fire and emergency services levy (FESL) implementation costs		19	–
Insurance		673	628
Pensioner rates write off		145	146
Postage		46	44
Printing and stationery		116	98
Rates expense		475	465
Registrations		145	125
Rent expense		15	12
Service subsidy expense		30	26
Street lighting		143	119
Subscriptions and publications		15	18
Telephone and communications		97	103
Volunteer expenses		21	25
Water / sewer sampling		33	31
Memberships		88	92
Other		64	11
<u>TOTAL OTHER EXPENSES</u>		<u>5,249</u>	<u>4,776</u>

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		181	833
Less: carrying amount of property assets sold/written off		(157)	(488)
Net gain/(loss) on disposal		24	345
Plant and equipment			
Proceeds from disposal – plant and equipment		1,527	368
Less: carrying amount of plant and equipment assets sold/written off		(860)	(155)
Net gain/(loss) on disposal		667	213
Real estate assets held for sale			
Proceeds from disposal – real estate assets		285	–
Less: carrying amount of real estate assets sold/written off		(247)	–
Net gain/(loss) on disposal		38	–
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		91,500	25,000
Less: carrying amount of financial assets sold/redeemed/matured		(91,500)	(25,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		729	558

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		527	–	451	–
Cash-equivalent assets ¹					
– Deposits at call		6,602	–	4,936	–
– Short-term deposits		3,500	–	14,500	–
Total cash and cash equivalents		10,629	–	19,887	–
Investments (Note 6b)					
– Long term deposits		36,000	–	25,000	–
Total investments		36,000	–	25,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		46,629	–	44,887	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

	10,629	–	19,887	–
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Investments

a. 'Loans and receivables'

	36,000	–	25,000	–
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Investments

	36,000	–	25,000	–
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	46,629	–	44,887	–
attributable to:				
External restrictions (refer below)	17,350	–	11,674	–
Internal restrictions (refer below)	27,452	–	30,127	–
Unrestricted	1,827	–	3,086	–
	46,629	–	44,887	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	767	60	(28)	799
RMS (formerly RTA) contributions	(B)	1,814	3,318	(1,975)	3,157
Specific purpose unexpended grants	(C)	573	3,389	(234)	3,727
Water supplies	(D)	2,850	362	(123)	3,359
Sewerage services	(D)	1,909	368	(409)	2,188
Domestic waste management	(D)	3,180	413	(432)	3,161
Stormwater management	(D)	–	207	(38)	169
Canowindra Town improvement	(D)	562	209	–	771
Canowindra sports trust	(D)	19	–	–	19
External restrictions – other		11,674	8,326	(3,239)	17,350
Total external restrictions		11,674	8,326	(3,239)	17,350

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	8,164	–	(3,814)	4,350
Infrastructure replacement	1,685	–	(35)	1,650
Employees leave entitlement	2,062	–	–	2,062
Budget equilization	–	436	(3)	433
Cadia contributions	989	56	–	1,045
Capital works	7,101	464	(2,017)	5,548
Community services	5	–	–	5
Environment	126	–	–	126
Environmental Sustainability	–	138	–	138
Gravel Pits	–	259	–	259
Housing	157	–	(20)	137
Land development	1,530	–	(1,530)	–
Limestone quarry	2,130	–	(490)	1,640
Office equipment	1,360	–	(248)	1,112
Recreation and culture	345	4	–	349
Revoted expenditure (sec 23a)	2,103	3,989	(2,103)	3,989
Roadworks	2,176	1,688	(1,502)	2,362
Sewerage	17	–	–	17
Village Enhancement	–	2,230	–	2,230
Other	177	–	(177)	–
Total internal restrictions	30,127	9,264	(11,939)	27,452
TOTAL RESTRICTIONS	41,801	17,590	(15,178)	44,802

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		353	380	356	318
Interest and extra charges		21	195	28	170
User charges and fees		1,029	164	892	174
Accrued revenues					
– Interest on investments		306	–	273	–
– Other income accruals		1,357	–	1,509	–
Council private works		73	–	922	–
Deferred debtors		12	269	17	290
Government grants and subsidies		84	–	114	–
Net GST receivable		351	–	67	–
Quarry debtors		55	–	110	–
NSW Rural Fire Service		187	–	–	–
Other debtors		219	–	118	–
Total		4,047	1,008	4,406	952
Less: provision for impairment					
Rates and annual charges		(172)	–	(172)	–
User charges and fees		(163)	–	(153)	(16)
Total provision for impairment – receivables		(335)	–	(325)	(16)
TOTAL NET RECEIVABLES		3,712	1,008	4,081	936
Externally restricted receivables					
Water supply					
– Specific purpose grants		119	–	217	–
– Rates and availability charges		64	–	60	16
– Other		445	54	555	61
Sewerage services					
– Rates and availability charges		29	–	27	38
– Other		673	171	918	122
Total external restrictions		1,330	225	1,777	237
Internally restricted receivables					
Nil					
Unrestricted receivables		2,382	783	2,304	699
TOTAL NET RECEIVABLES		3,712	1,008	4,081	936

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		589	215	680	371
Stores and materials		352	–	646	–
Total inventories at cost		941	215	1,326	371
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		941	215	1,326	371
(b) Other assets					
Prepayments		108	–	61	–
Shares in unlisted companies – StateCover		–	282	–	282
TOTAL OTHER ASSETS		108	282	61	282
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Other disclosures					
(a) Details for real estate development					
Residential		548	–	639	156
Industrial/commercial		41	215	41	215
Total real estate for resale		589	215	680	371
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		278	172	343	172
Development costs		311	43	337	199
Total real estate for resale		589	215	680	371
Movements:					
Real estate assets at beginning of the year		680	371	680	371
– WDV of sales (expense)	5	(91)	(156)	–	–
Total real estate for resale		589	215	680	371
(b) Current assets not anticipated to be settled within the next 12 months					
The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;					
Real estate for resale				2017	2016
				589	680
				589	680
(c) Inventory write downs					
There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.					

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period					as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Capital work in progress	393	–	393	–	2,746	–	–	–	3,139	–	3,139
Plant and equipment	39,732	26,694	13,038	–	4,220	(859)	(2,317)	–	40,467	26,385	14,082
Office equipment	2,443	2,059	384	–	223	–	(94)	–	2,665	2,154	511
Furniture and fittings	879	657	222	–	95	–	(44)	–	975	702	273
Land:											
– Operational land	7,133	–	7,133	–	54	(80)	–	–	7,107	–	7,107
– Community land	9,173	–	9,173	–	–	–	–	–	9,173	–	9,173
Land improvements – non-depreciable	14,725	–	14,725	–	107	–	–	–	14,832	–	14,832
Land improvements – depreciable	6,503	1,973	4,530	–	746	–	(151)	–	7,249	2,124	5,125
Infrastructure:											
– Buildings – non-specialised	3,662	2,277	1,385	–	9	(78)	(81)	–	3,359	2,124	1,235
– Buildings – specialised	58,230	31,240	26,990	657	903	–	(1,416)	–	59,790	32,656	27,134
– Other structures	9,382	4,476	4,906	–	302	–	(265)	366	10,381	5,072	5,309
– Roads	187,320	54,094	133,226	9,589	2,260	–	(3,715)	–	199,169	57,809	141,360
– Bridges	56,626	11,112	45,514	–	979	–	(386)	–	57,603	11,497	46,106
– Footpaths	5,943	1,830	4,113	–	1	–	(60)	–	5,944	1,890	4,054
– Bulk earthworks (non-depreciable)	148,410	–	148,410	–	–	–	–	–	148,410	–	148,410
– Stormwater drainage	62,903	11,558	51,345	–	34	–	(420)	–	62,940	11,976	50,964
– Water supply network	45,659	21,863	23,796	8	27	–	(464)	334	46,334	22,632	23,702
– Sewerage network	48,555	10,972	37,583	140	97	–	(810)	527	49,482	11,936	37,546
– Swimming pools	4,210	1,835	2,375	–	–	–	(26)	3,758	9,463	3,356	6,107
– Other open space/recreational assets	–	–	–	–	–	–	–	1,702	3,255	1,553	1,702
Reinstatement, rehabilitation and restoration assets (refer Note 26):											
– Tip assets	288	281	7	–	–	–	(1)	–	288	281	7
– Quarry assets	647	514	133	–	–	–	(5)	–	646	519	127
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	712,816	183,435	529,381	10,394	12,803	(1,017)	(10,255)	6,687	742,671	194,666	548,005

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	3,139	–	3,139	392	–	392
Plant and equipment	3,303	2,561	742	3,295	2,499	796
Land						
– Operational land	767	–	767	767	–	767
– Community land	260	–	260	260	–	260
– Improvements – depreciable	34	12	22	34	12	22
Buildings	126	28	98	126	25	101
Other structures	191	92	99	239	77	162
Infrastructure	45,834	22,319	23,515	45,164	21,557	23,607
Total water supply	53,654	25,012	28,642	50,277	24,170	26,107
Sewerage services						
Plant and equipment	6,145	4,322	1,823	6,109	4,194	1,915
Land						
– Operational land	822	–	822	762	–	762
– Community land	157	–	157	157	–	157
– Improvements non-depreciable	4,198	–	4,198	4,198	–	4,198
– Improvements – depreciable	318	86	232	318	79	239
Buildings	463	161	302	463	151	312
Other structures	668	306	362	15	3	12
Infrastructure	49,482	11,936	37,546	48,555	10,972	37,583
Open Spaces	10	5	5	–	–	–
Total sewerage services	62,263	16,816	45,447	60,577	15,399	45,178
Domestic waste management						
Plant and equipment	214	166	48	214	154	60
Office equipment	52	38	14	52	29	23
Land						
– Operational land	203	–	203	203	–	203
– Community land	415	–	415	415	–	415
– Improvements non-depreciable	10,196	–	10,196	10,196	–	10,196
– Improvements – depreciable	457	79	378	457	79	378
Buildings	85	2	83	67	–	67
Other structures	499	245	254	499	223	276
Total DWM	12,121	530	11,591	12,103	485	11,618
TOTAL RESTRICTED I,PP&E	128,038	42,358	85,680	122,957	40,054	82,903

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2017	Actual 2016
Impairment losses recognised in the Income Statement:			
Building due for Demolition		–	(191)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	–	(191)

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		2,201	–	1,666	–
Accrued expenses:					
– Borrowings		4	–	5	–
– Salaries and wages		338	–	347	–
– Other expenditure accruals		136	–	1,095	–
Security bonds, deposits and retentions		357	50	365	46
ATO – net GST payable		46	–	7	–
Other		45	–	49	–
Total payables		3,127	50	3,534	46
Income received in advance					
Payments received in advance		274	–	259	–
Total income received in advance		274	–	259	–
Borrowings					
Loans – secured ¹		204	2,113	201	2,317
Government advances		–	–	3	–
Total borrowings		204	2,113	204	2,317
Provisions					
Employee benefits:					
Annual leave		1,170	–	1,139	–
Long service leave		2,700	–	2,714	–
Sub-total – aggregate employee benefits		3,870	–	3,853	–
Asset remediation/restoration (future works)	26	–	1,617	–	1,594
Other		49	–	49	–
Total provisions		3,919	1,617	3,902	1,594
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		7,524	3,780	7,899	3,957
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		173	–	365	–
Sewer		245	2,113	264	2,317
Liabilities relating to externally restricted assets		418	2,113	629	2,317
Internally restricted assets					
Nil		–	–	–	–
Total liabilities relating to restricted assets		418	2,113	629	2,317
Total liabilities relating to unrestricted assets		7,106	1,667	7,270	1,640
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		7,524	3,780	7,899	3,957

¹: Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	2,976	2,934
	<u>2,976</u>	<u>2,934</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	1,139	532	(613)	112	–	1,170
Long service leave	2,714	128	(279)	137	–	2,700
Asset remediation	1,594	21	–	2	–	1,617
Other	49	–	–	–	–	49
TOTAL	5,496	681	(892)	251	–	5,536

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	10,629	19,887
Balance as per the Statement of Cash Flows		10,629	19,887
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		13,361	9,544
Adjust for non-cash items:			
Depreciation and amortisation		10,340	9,809
Net losses/(gains) on disposal of assets		(729)	(558)
Non-cash capital grants and contributions		–	(136)
Impairment losses recognition – I,PP&E		–	191
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	119
– Write offs relating to the fair valuation of I,PP&E		–	14
– Other		–	(86)
Unwinding of discount rates on reinstatement provisions		25	25
Share of net (profits) or losses of associates/joint ventures		–	(177)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		277	(706)
Increase/(decrease) in provision for doubtful debts		(6)	(5)
Decrease/(increase) in inventories		294	(296)
Decrease/(increase) in other assets		(47)	42
Increase/(decrease) in payables		535	80
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		(968)	1,292
Increase/(decrease) in other liabilities		46	(105)
Increase/(decrease) in employee leave entitlements		17	301
Increase/(decrease) in other provisions		(2)	(33)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		23,142	19,314

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Bushfire grants		–	136
Total non-cash investing and financing activities		–	136
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		450	450
Credit cards/purchase cards		65	65
Total financing arrangements		515	515
Amounts utilised as at balance date:			
– Credit cards/purchase cards		7	12
Total financing arrangements utilised		7	12

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		41	82
Plant and equipment		209	2,372
Sewer		25	144
Water		76	167
Roads Bridges & Footpaths		–	350
Other Structures		–	82
Total commitments		351	3,197
These expenditures are payable as follows:			
Within the next year		351	3,197
Total payable		351	3,197
Sources for funding of capital commitments:			
Unrestricted general funds		–	82
Unexpended grants		–	350
Externally restricted reserves		133	311
Internally restricted reserves		218	2,454
Total sources of funding		351	3,197

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>6,703</u>	15.36%	8.24%	1.63%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>43,647</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>28,007</u>	56.49%	60.69%	63.27%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>49,576</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>32,121</u>	7.78x	8.35x	10.07x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>4,130</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>17,213</u>	46.02x	35.16x	25.45x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>374</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>777</u>	5.56%	5.33%	3.79%	<10% Rural
Rates, annual and extra charges collectible	<u>13,982</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>46,629</u>	18.38 mths	22.1 mths	18.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,537</u>				

Notes

(1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

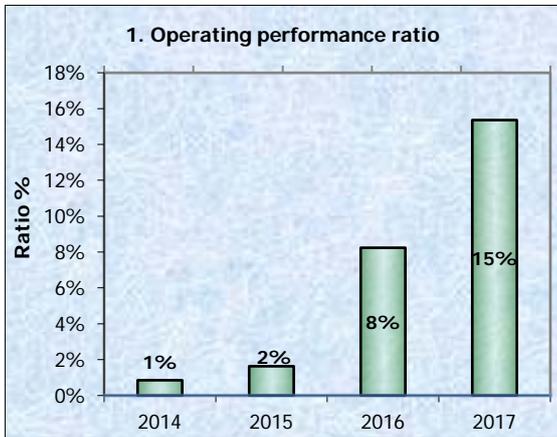
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Cabonne Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2016/17 result

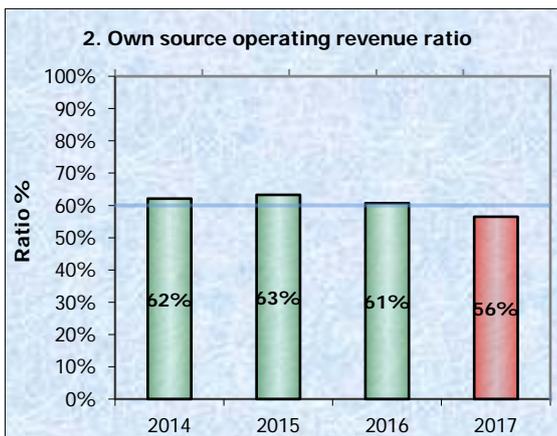
2016/17 ratio 15.36%

Another excellent result for Council. This ratio shows that Council has achieved a greater than benchmark result by containing operating expenditure within operating revenue.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2016/17 result

2016/17 ratio 56.49%

The reason for the decrease in the Own source operating revenue ratio is due to the fact that the Australian Government has once again paid in advance Council's Financial Assistance Grant. Thereby increasing the overall revenue received and distorting the ratio.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2016/17 result

2016/17 ratio 7.78x

Once again Council is well in its ability to satisfy short term obligations and this will enable Council to draw down funds in future years and maintain and continue to meet and exceed the industry benchmark.

Benchmark: ——— Minimum ≥ 1.50

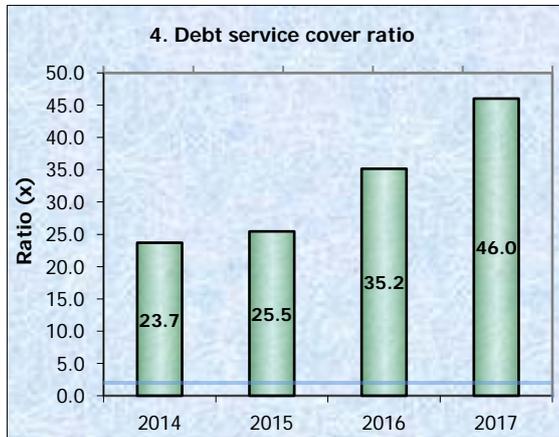
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Cabonne Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result

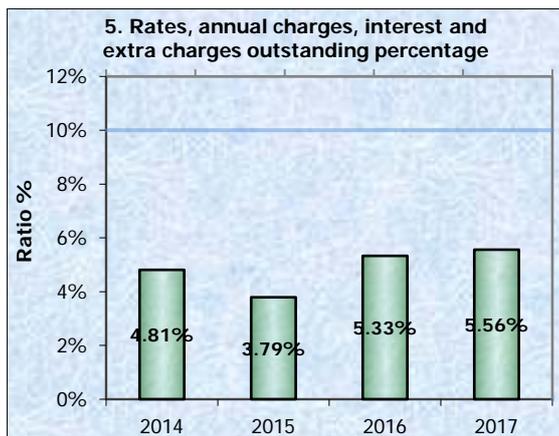
2016/17 ratio 46.02x

Council's debt service ratio once again is well inside the industry benchmark proving the ability for Council to meet its obligations well into the future.

Benchmark: Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result

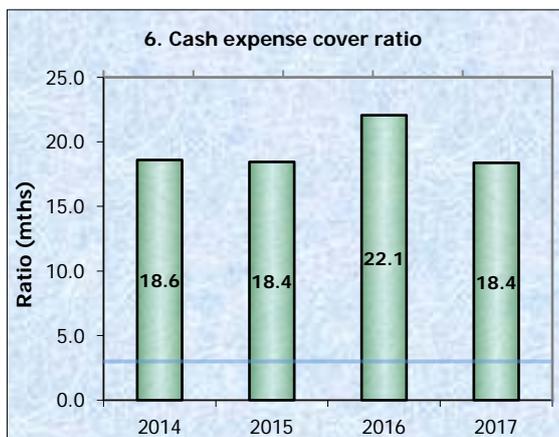
2016/17 ratio 5.56%

This ratio shows for the 5th year in a row the outstanding work completed by staff to reduce the Rates and charges outstanding ratio. This result is well below industry benchmark, and shows the consistency over the previous years.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2016/17 result

2016/17 ratio 18.38 mths

Council once again has surpassed the industry benchmark for the previous 5 years, showing the number of months of liquidity of 20 months without the need for additional income.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>	17.88%	11.13%	-11.90%	-13.89%	-16.20%	-27.80%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>	57.51%	59.28%	29.05%	74.53%	89.30%	75.13%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>	7.78x	8.35x	23.05x	10.09x	11.80x	10.81x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	43.38x	67.33x	0.00x	0.00x	0.00x	1.17x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.79%	4.93%	14.71%	19.24%	1.67%	4.59%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	16.19 months	21.71 months	0.00 months	44.53 months	0.00 months	15.70 months	> 3 months

Notes

(1) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council. The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	10,629	19,887	10,629	19,887
Investments				
– 'Loans and receivables'	36,000	25,000	36,000	25,000
Receivables	4,720	5,017	4,027	5,017
Other financial assets	282	282	282	282
Total financial assets	51,631	50,186	50,938	50,186
Financial liabilities				
Payables	3,177	3,580	3,164	3,580
Loans/advances	2,317	2,521	2,317	2,521
Total financial liabilities	5,494	6,101	5,481	6,101

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	410	410	(410)	(410)
2016				
Possible impact of a 1% movement in interest rates	358	358	(358)	(358)

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	82%	0%	82%
Overdue	100%	18%	100%	18%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	3,555	–	3,844
< 1 year overdue	0 – 30 days overdue	733	39	674	106
1 – 2 years overdue	31 – 60 days overdue	–	56	–	66
2 – 5 years overdue	61 – 90 days overdue	–	43	–	34
> 5 years overdue	> 91 days overdue	–	629	–	634
		733	4,322	674	4,684

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	341	346
– amounts already provided for and written off this year	(6)	(5)
Balance at the end of the year	335	341

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	407	2,757	–	–	–	–	–	3,164	3,177
Loans and advances	–	337	327	327	232	232	1,443	2,898	2,317
Total financial liabilities	407	3,094	327	327	232	232	1,443	6,062	5,494
2016									
Trade/other payables	411	3,169	–	–	–	–	–	3,580	3,580
Loans and advances	–	350	337	327	327	232	1,674	3,247	2,521
Total financial liabilities	411	3,519	337	327	327	232	1,674	6,827	6,101

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,177	0.00%	3,580	0.00%
Loans and advances – fixed interest rate	2,317	6.78%	2,521	6.78%
	<u>5,494</u>		<u>6,101</u>	

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	13,232	13,183	(49)	(0%)	U
User charges and fees	9,793	13,000	3,207	33%	F
The variance is due to an increase in works allocated to Council by the RMS of \$3.7million. These extra ordered works were unknown at budget preparation.					
Interest and investment revenue	1,221	1,255	34	3%	F
Other revenues	618	569	(49)	(8%)	U
Operating grants and contributions	12,317	15,640	3,323	27%	F
Council received 50% of the Financial Assistance Grant for the 2017/2018 year in advance in June 2016. This was an extra \$2.3m of income for the 16/17 year. An additional \$1.34m was received to rectify flood damage in the Cabonne Shire that occurred in August 2016.					
Capital grants and contributions	18,729	5,929	(12,800)	(68%)	U
Council had anticipated grant funding for the Water pipeline in its 16/17 budget allocation of \$15m, however only \$2.8m was received.					
Net gains from disposal of assets	300	729	429	143%	F
Council's favourable result is due to a higher than expected sale of plant and equipment.					

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	12,660	11,592	1,068	8%	F
Borrowing costs	171	170	1	1%	F
Materials and contracts	5,397	9,593	(4,196)	(78%)	U
With the extra RMS ordered works not anticipated, this in turn increased Council's materials and contractors on these works.					
Depreciation and amortisation	9,792	10,340	(548)	(6%)	U
Other expenses	5,104	5,249	(145)	(3%)	U

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	33,071	23,142	(9,929)	(30.0%)	U
This is due to the Water pipeline grant income not being received during 16/17 year and the RMS ordered works not anticipated at time of budget preparation.					
Cash flows from investing activities	(42,459)	(32,196)	10,263	(24.2%)	F
This is due to the Water pipeline capital project that was budgeted in 16/17 year that did not proceed as planned.					
Cash flows from financing activities	(204)	(204)	-	0.0%	F

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	569	42	–	5	–	–	616	–
Other	198	11	–	2	(28)	–	183	–
S94 contributions – under a plan	767	53	–	7	(28)	–	799	–
Total S94 revenue under plans	767	53	–	7	(28)	–	799	–
Total contributions	767	53	–	7	(28)	–	799	–

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - SMALL RURAL HOLDINGS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	36	–	–	–	–	–	36	–
Total	36	–	–	–	–	–	36	–

CONTRIBUTION PLAN NUMBER - GENERAL RURAL ZONE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	533	42	–	5	–	–	580	–
Total	533	42	–	5	–	–	580	–

CONTRIBUTION PLAN NUMBER - BUSHFIRE EQUIPMENT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	198	11	–	2	(28)	–	183	–
Total	198	11	–	2	(28)	–	183	–

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided a Bank Guarantee of \$940,000 for rehabilitation works to be carried out upon closure of its Molong Limestone Quarry. The agreement is with the Department of Primary Industries.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	–	–	–	–
Associates	–	177	20,324	20,324
Total	–	177	20,324	20,324

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Central Tablelands Water	Associate	Equity	20,324	20,324
Total carrying amounts – material joint ventures and associates			20,324	20,324

(b) Details

Name of entity	Principal activity	Place of business
Central Tablelands Water	Supply Water	Blayney

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Central Tablelands Water	33	33	33%	33%	33%	33%	33%	33%

(d) Summarised financial information for joint ventures and associates

	Central Tablelands Water	
	2017	2016
Statement of financial position		
Current assets		
Cash and cash equivalents	873	873
Other current assets	7,738	7,738
Non-current assets	56,284	56,284
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	409	409
Other current liabilities	1,156	1,156
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2,352	2,352
Net assets	60,978	60,978
Reconciliation of the carrying amount		
Opening net assets (1 July)	60,978	59,592
Profit/(loss) for the period	–	532
Other Comprehensive Income	–	854
Closing net assets	60,978	60,978
Council's share of net assets (%)	33.3%	33.3%
Council's share of net assets (\$)	20,324	20,324

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates

(d) Summarised financial information for joint ventures and associates (cont'd)

	Central Tablelands Water	
	2017	2016
Statement of comprehensive income		
Income	–	5,697
Interest income	–	206
Depreciation and amortisation	–	(1,822)
Interest expense	–	(198)
Income tax expense	–	–
Other expenses	–	(3,351)
Profit/(loss) from continuing operations	–	532
Profit/(loss) for period	–	532
Other comprehensive income	–	854
Total comprehensive income	–	1,386
Share of income – Council (%)	33.3%	33.3%
Profit/(loss) – Council (\$)	–	177
Total comprehensive income – Council (\$)	–	462

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2017 Net profit	2017 Net assets
Central West Co-operative Public Library	Library Services to member Councils	1	184

Reasons for non-recognition

Cabonne Council has a small interest and passive control in Central West Co-operative Public Library. Council makes a financial contribution on behalf of the rate payers of Cabonne in order for the Library to provide a service. Cabonne Council does not have significant influence or control of the entity.

Strategic Alliance Wellington, Blayney & Cabonne Councils	Investigation & provision of Economies of scale opportunities for Member Councils
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Reasons for non-recognition

Cabonne Council has a mutually agreeable collaborated arrangement with the WBC Strategic Alliance and its partners. Councils capacity is that it supports the Alliance. The Strategic Alliance is not a legal entity and does have a budget in its own right.

Section 355 Committees of Council	Management, control and care of Council property
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Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		329,872	317,985
a. Correction of prior period errors	20 (c)	(2,075)	–
b. Other comprehensive income (excl. direct to reserves transactions)		–	199
c. Net operating result for the year		13,361	9,544
d. Transfers between equity		–	69
Balance at end of the reporting period		<u>341,158</u>	<u>327,797</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
Infrastructure, property, plant and equipment revaluation reserve		268,836	262,149
Total		<u>268,836</u>	<u>262,149</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
Opening balance		262,149	246,653
Revaluations for the year	9(a)	6,687	15,565
Transfer to retained earnings for asset disposals		–	(69)
Balance at end of year		<u>268,836</u>	<u>262,149</u>
TOTAL VALUE OF RESERVES		<u>268,836</u>	<u>262,149</u>
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
Reversal of administration costs charged to I,PP&E in YE 15/16 for the management and co-ordination of asset renewals and replacements during the year that under Council's policy were attributable to the asset and part of the reasonable cost of the asset As a result of the prior period error:			
Closing Equity for YE 15/16 reduced by \$2.075M			
Closing IPP&E (Note 9a) for YE 15/16 reduced by \$2.075M			
Materials & Contracts expense for YE 15/16 increased by \$2.075M			
Net Operating Result for YE 15/16 decreased by \$2.075M			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	–
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end)		(2,075)	–
Total prior period adjustments – prior period errors		(2,075)	–

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	435	1,739	11,009
User charges and fees	695	99	12,206
Interest and investment revenue	71	64	1,120
Other revenues	4	–	565
Grants and contributions provided for operating purposes	12	111	15,517
Grants and contributions provided for capital purposes	2,927	117	2,885
Other income			
Net gains from disposal of assets	–	–	729
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	4,144	2,130	44,031
Expenses from continuing operations			
Employee benefits and on-costs	206	301	11,085
Borrowing costs	–	145	25
Materials and contracts	578	727	8,288
Depreciation and amortisation	530	955	8,855
Impairment	–	–	–
Other expenses	97	347	4,805
Total expenses from continuing operations	1,411	2,475	33,058
Operating result from continuing operations	2,733	(345)	10,973
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,733	(345)	10,973
Net operating result attributable to each council fund	2,733	(345)	10,973
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(194)	(462)	8,088

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Cabonne Council

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,359	2,188	5,082
Investments	–	–	36,000
Receivables	628	702	2,382
Inventories	–	–	941
Other	–	–	108
Total current assets	3,987	2,890	44,513
Non-current assets			
Receivables	54	171	783
Inventories	–	–	215
Infrastructure, property, plant and equipment	28,642	45,447	473,916
Investments accounted for using the equity method	–	–	20,324
Intangible assets	–	–	74
Other	–	–	282
Total non-current assets	28,696	45,618	495,594
TOTAL ASSETS	32,683	48,508	540,107
LIABILITIES			
Current liabilities			
Payables	173	41	2,913
Income received in advance	–	–	274
Borrowings	–	204	–
Provisions	–	–	3,919
Total current liabilities	173	245	7,106
Non-current liabilities			
Payables	–	–	50
Income received in advance	–	–	–
Borrowings	–	2,113	–
Provisions	–	–	1,617
Total non-current liabilities	–	2,113	1,667
TOTAL LIABILITIES	173	2,358	8,773
Net assets	32,510	46,150	531,334
EQUITY			
Retained earnings	14,310	24,912	301,936
Revaluation reserves	18,200	21,238	229,398
Other reserves	–	–	–
Total equity	32,510	46,150	531,334

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 23/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	396	396
Accumulated amortisation (1/7)	(243)	(158)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	153	238
Movements for the year		
– Purchases	6	–
– Amortisation charges	(85)	(85)
Closing values:		
Gross book value (30/6)	402	396
Accumulated amortisation (30/6)	(328)	(243)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>74</u>	<u>153</u>

¹ The net book value of intangible assets represent:

– Software	74	153
	<u>74</u>	<u>153</u>

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Tip Operations	2025	360	358
Quarry Operations	2039	1,257	1,236
Balance at end of the reporting period		1,617	1,594

10(a)

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	1,594	1,602
Effect of a change in other calculation estimates used	(2)	(33)
Amortisation of discount (expensed to borrowing costs)	25	25
Total – reinstatement, rehabilitation and restoration provision	1,617	1,594

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/17	–	–	3,139	3,139
Plant and equipment	30/06/17	–	–	14,082	14,082
Office equipment	30/06/17	–	–	511	511
Furniture and fittings	30/06/17	–	–	273	273
Operational land	30/06/14	–	–	7,107	7,107
Community land	30/06/16	–	–	9,173	9,173
Land improvements non depreciable	30/06/16	–	–	14,832	14,832
Land Improvements depreciable	30/06/16	–	–	5,125	5,125
Building non specialised	30/06/14	–	–	1,235	1,235
Building specialised	30/06/14	–	–	27,134	27,134
Other structures	30/06/17	–	–	5,309	5,309
Roads	30/06/15	–	–	141,360	141,360
Bridges	30/06/15	–	–	46,107	46,107
Footpaths	30/06/15	–	–	4,054	4,054
Bulk earthworks	30/06/15	–	–	148,409	148,409
Stormawater drainage	30/06/15	–	–	50,964	50,964
Water supply network	30/06/12	–	–	23,702	23,702
Sewer network	30/06/12	–	–	37,546	37,546
Swimming pools	30/06/17	–	–	6,107	6,107
Tip assets	30/06/17	–	–	7	7
Quarry assets	30/06/17	–	–	127	127
Open Space/recreational assets	30/06/17	–	–	1,702	1,702
Total infrastructure, property, plant and equipment		–	–	548,005	548,005

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/16	—	—	393	393
Plant and equipment	30/06/16	—	—	13,038	13,038
Office equipment	30/06/16	—	—	384	384
Furniture and fittings	30/06/16	—	—	222	222
Operational land	30/06/14	—	—	7,133	7,133
Community land	30/06/16	—	—	9,173	9,173
Land improvements non depreciable	30/06/16	—	—	14,725	14,725
Land improvements depreciable	30/06/16	—	—	4,530	4,530
Building non specialised	30/06/14	—	—	1,385	1,385
Building specialised	30/06/14	—	—	26,990	26,990
Other structures	30/06/11	—	—	4,906	4,906
Roads	30/06/15	—	—	133,226	133,226
Bridges	30/06/15	—	—	45,514	45,514
Footpaths	30/06/15	—	—	4,113	4,113
Bulk earthworks	30/06/15	—	—	148,410	148,410
Stormwater drainage	30/06/15	—	—	51,345	51,345
Water supply network	30/06/12	—	—	23,796	23,796
Sewer network	30/06/12	—	—	37,583	37,583
Swimming pools	30/06/11	—	—	2,375	2,375
Tip assets	30/06/16	—	—	7	7
Quarry assets	30/06/16	—	—	133	133
Total infrastructure, property, plant and equipment		—	—	529,381	529,381

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Capital Works in Progress – Uncompleted capital projects

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

Councils Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Cabonne Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

Community Land

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 1 July 2015)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Non Depreciable land Improvements

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Non Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

Depreciable Land Improvements – Gardens/softfall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates

Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

Buildings (Specialised/Non Specialised) – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2014 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2014. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is **significant** in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Other Structures

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Other Structures were valued as at 30 June 2017. Valuations are based on unit rates derived from historical costs and from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Swimming pools were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Open space/recreational assets

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Open Spaces were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued by Pavement Management Services on 30 June 2015. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter

Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road chainages were taken as the measure of Cabonne Council's road asset length. Seal widths (sealed roads) were taken from full condition assessment undertaken by Pavement Management Services.

The pavement width was assumed to be an additional 1m on each side of the Seal (e.g. Seal of 6 m is assumed to have an 8m wide pavement). This was confirmed by random sampling of a range of roads categories across the Shire.

Unit rates for major earthworks, pavement and sealing were based on the Rawlinson's; Construction Cost Guide 2010, Edition 18. These rates were verified against recent actual rates from Cabonne Council road works.

Condition Assessment data was established on all of Cabonne Councils road network..

Kerb and Gutter

Kerb & Gutter assets were valued in-house as at 30 June 2015.

Asset register was developed by Council staff completing a physical inspection of the Kerb & Gutter Network. Council staff were equipped with a GPS unit that measured the length and the location of each asset. Unit rates were established from historical data and also tested against recent construction costs. Condition assessment for Kerb and Gutter was collected at time of physical inspection along with the material used in the construction.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Bridges

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Bridges assets were valued in-house as at 30 June 2015.

Asset register was developed by Council staff completing a physical inspection of all Council Bridges. Council staff inspected and componentised each bridge collected the necessary data including condition rating, bridge dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Asset register was developed by Council staff completing a physical inspection of all Council's footpaths. Council staff inspected each footpath and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths assets were valued by Pavement Management Services as at 30 June 2015.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Asset register was developed by Council staff completing a physical inspection of all Council's stormwater drainage. Council staff inspected and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Stormwater drainage assets were valued in-house as at 30 June 2015.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Water Supply Network

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPEa conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPEa conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Tip and Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Capital works in progress	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Land imp non depreciable	Land imp depreciable	Total
Opening balance – 1/7/15	8,351	14,003	444	218	7,242	10,451	1,071	2,477	44,257
Transfers from/(to) another asset class	(8,351)	–	–	–	38	(38)	–	–	(8,351)
Purchases (GBV)	393	1,363	91	43	78	–	–	39	2,007
Disposals (WDV)	–	(155)	–	(1)	(225)	(60)	–	–	(441)
Depreciation and impairment	–	(2,173)	(151)	(38)	–	–	–	(153)	(2,515)
FV gains – other comprehensive income	–	–	–	–	–	(1,180)	13,654	2,181	14,655
FV gains – Income Statement ¹	–	–	–	–	–	–	–	(14)	(14)
Closing balance – 30/6/16	393	13,038	384	222	7,133	9,173	14,725	4,530	49,598
Purchases (GBV)	2,746	4,220	223	95	54	–	107	746	8,191
Disposals (WDV)	–	(859)	–	–	(80)	–	–	–	(939)
Depreciation and impairment	–	(2,317)	(94)	(44)	–	–	–	(151)	(2,606)
Other movement	–	–	(2)	–	–	–	–	–	(2)
Closing balance – 30/6/17	3,139	14,082	511	273	7,107	9,173	14,832	5,125	54,242

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) continued

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Buildings non special	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Total
Opening balance – 1/7/15	1,667	27,534	4,882	125,861	45,060	4,078	148,410	51,527	409,019
Purchases (GBV)	197	850	289	10,918	826	93	–	236	13,409
Disposals (WDV)	(196)	–	(6)	–	–	–	–	–	(202)
Depreciation and impairment	(283)	(1,394)	(259)	(3,553)	(372)	(58)	–	(418)	(6,337)
Closing balance – 30/6/16	1,385	26,990	4,906	133,226	45,514	4,113	148,410	51,345	415,889
Purchases (GBV)	9	1,560	302	11,849	979	1	–	34	14,734
Disposals (WDV)	(78)	–	–	–	–	–	–	–	(78)
Depreciation and impairment	(81)	(1,416)	(265)	(3,715)	(386)	(60)	–	(420)	(6,343)
FV gains – other comprehensive income	–	–	366	–	–	–	–	–	366
Other movement	–	–	–	–	(1)	–	–	5	4
Closing balance – 30/6/17	1,235	27,134	5,309	141,360	46,106	4,054	148,410	50,964	424,572

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) continued

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Open Spaces	Water network	Sewer network	Swimming pools	Tip assets	Quarry assets	Total
Opening balance – 1/7/15	–	23,434	28,542	2,421	8	146	54,551
Transfers from/(to) another asset class	–	–	8,351	–	–	–	8,351
Purchases (GBV)	–	462	694	–	–	–	1,156
Depreciation and impairment	–	(452)	(562)	(46)	(1)	(2)	(1,063)
FV gains – other comprehensive income	–	352	558	–	–	–	910
Other movement	–	–	–	–	–	(11)	(11)
Closing balance – 30/6/16	–	23,796	37,583	2,375	7	133	63,894
Purchases (GBV)	–	35	245	–	–	–	280
Depreciation and impairment	–	(464)	(810)	(26)	–	(6)	(1,306)
FV gains – other comprehensive income	1,702	–	–	3,758	–	–	5,460
FV gains – Income Statement ¹	–	335	528	–	–	–	863
Closing balance – 30/6/17	1,702	23,702	37,546	6,107	7	127	69,191

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

(4). Fair value measurements using significant unobservable inputs (level 3)

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Capital Works in Progress	\$3,139	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost
Plant & Equipment	\$14,082	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Office Equipment	\$511	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Furniture & Fittings	\$273	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Operational Land	\$,7,107	Cost Approach	<ul style="list-style-type: none"> Market Approach – Registered Valuer
Community land	\$9,173	Cost Approach	<ul style="list-style-type: none"> NSW Valuer General's Valuation (Unimproved Capital Value)
Land Improvements Non Depreciable	\$14,832	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Remaining Useful Life
Land Improvements Depreciable	\$5,125	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Remaining Useful Life
Buildings Non Specialised	\$1,235	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Buildings Specialised	\$27,134	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Other Structures	\$5,309	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Roads	\$141,360	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bridges	\$46,109	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Footpaths	\$4,054	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Bulk Earthworks	\$148,410	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Terrain rating
Stormwater Drainage	\$50,964	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Water Supply Network	\$23,702	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Sewer Network	\$37,546	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Swimming Pools	\$6,107	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Open Space/Recreational Assets	\$1,702	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Tip Assets	\$7	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows
Quarry Assets	\$127	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows

(5). Highest and best use

All of Council's non-financial assets are considered to be utilised for their highest and best use.

Cabonne Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
Compensation:	
Short-term benefits	855
Other long-term benefits	492
Termination benefits	88
Total	1,435

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
Note	\$'000	\$'000		\$'000	\$'000
Supplier of Services	1	239	–	–	–
Purchase of Service	2	–	1	–	–
			Supplier of Earthmoving equipment		
			Industrial waste at Council's tip		

1 A KMP of Council is a Managing Director of Paul Culverson Earthmoving and Farm contracting who supplied services to Council.

2 A KMP of Council is a close relative of MSM Milling who utilise Council's waste facility at Manildra to dispose of Industrial waste.

Cabonne Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

Principal place of business:

99 - 101 Bank Street
Molong NSW 2866

Contact details**Mailing address:**

PO Box 17
Molong NSW 2866

Opening hours:

Monday to Friday
9am to 5pm

Telephone: 02 6392 3200

Facsimile: 02 6392 3260

Internet: <http://www.cabonne.nsw.gov.au>

Email: council@cabonne.nsw.gov.au

Officers**GENERAL MANAGER**

Stephen Harding

RESPONSIBLE ACCOUNTING OFFICER

Evan Webb

PUBLIC OFFICER

Stephen Harding

AUDITORS

Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2001

Elected members**MAYOR**

Ian Gosper

COUNCILLORS

Anthony Durkin
Gregory Treavors
Sharon Wilcox
Ian Davidson
Kevin Walker
Marlene Nash
Geoff Dean

Other information

ABN: 419 929 192 00



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying financial statements of Cabonne Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 26 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'C. Clayton', with a large, stylized flourish at the end.

Chris Clayton
Director, Financial Audit Services

23 October 2017
SYDNEY

Councillor Kevin Beatty
Mayor
Cabonne Council
PO Box 17
MOLONG NSW 2866

Contact: Chris Clayton
Phone no: 02 9275 7248
Our ref: D1726176/1704

23 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Cabonne Council**

I have audited the general purpose financial statements of the Cabonne Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$m	\$m	%¹
Rates and annual charges revenue	13.2	12.6	4.9 ↑
User charges and fees	13.0	10.9	19.8 ↑
Grants and contributions revenue	21.6	16.5	30.8 ↑
Materials & Contracts expense	9.6	5.7	67.5 ↑

¹ Variance calculated based on underlying financial statements, rounded to the nearest thousand dollars.

	2017 \$m	2016 \$m	Variance % ¹
Operating result for the year	13.4	9.5	40.0 ↑
Net operating result before capital amounts	7.4	3.6	108.3 ↑

The growth in rates and annual charges is consistent with the rate-pegging limit of 1.8 per cent and an increase in annual access charges for sewerage.

User charges and fees increased following growth in the value of RMS ordered road work.

Operating grants were also higher than last year at \$11.9 million (2016: \$8.3 million) mainly due to the receipt of 2017-18 financial assistance grant instalments in 2016-17 (\$2.3 million).

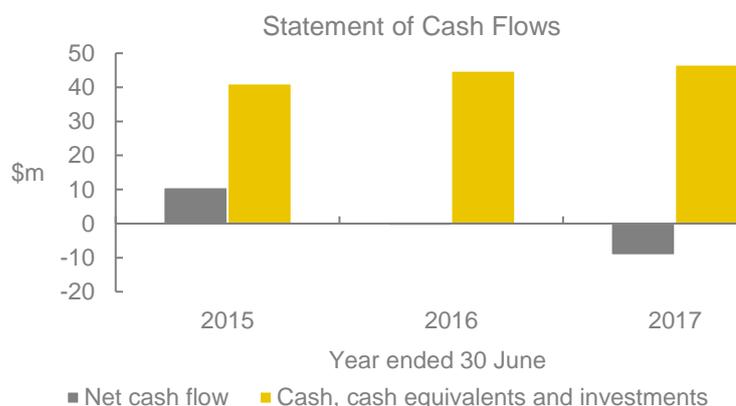
Materials and contracts expense were higher at \$9.6 million (2016: \$5.7 million) as a result of using external contractors for the delivery of most of the additional RMS ordered road work.

The operating surplus was generated primarily from the General Fund (\$13.6 million), followed by the Water Fund (\$2.9 million), and an operating deficit in Sewer Fund of (\$0.3 million).

STATEMENT OF CASH FLOWS

While 2016-17 saw a net cash outflow of \$9.3 million, Council has experienced a steady growth in its cash, cash equivalents and investments balance over the past three years.

Over this period, Council has generated operating cash flow surpluses allowing it to maintain and renew community infrastructure.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017 \$m	2016 \$m	Commentary
External restrictions	17.4	11.7	Externally restricted balances include unexpended developer contributions water, sewer and domestic waste management charges.
Internal restrictions	27.4	30.1	Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	1.8	3.0	
Cash and investments	46.6	44.8	Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2017, Council had external borrowings of \$2.3 million (30 June 2016: \$2.5 million). The loans are secured over Council’s general rating income.

At 30 June 2017, Council also had access to a \$450,000 (30 June 2016: \$450,000) bank overdraft facility. This facility was unused at year end.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s unaudited Special Schedule 7.

Operating performance ratio

Council’s operating performance ratio exceeded the industry benchmark over the past three years.

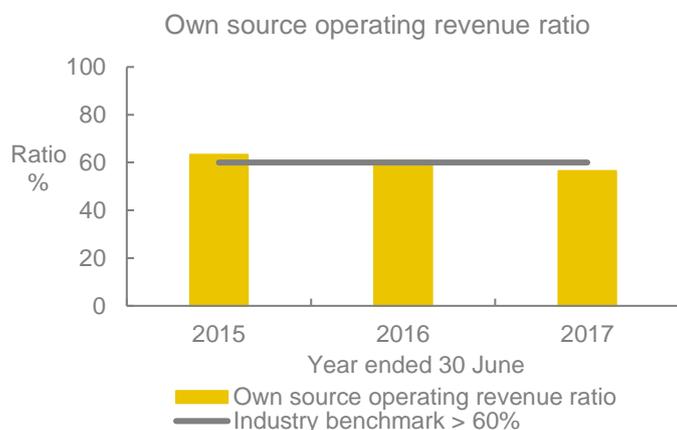
The ‘operating performances ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

The increased level of grants and contributions, particularly from the financial assistance grant instalments received in advance, has the effect of decreasing Council’s own source operating revenue ratio.

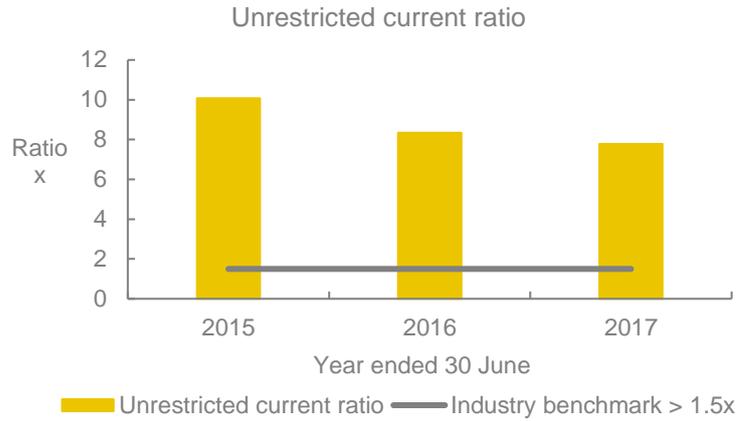
The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years.

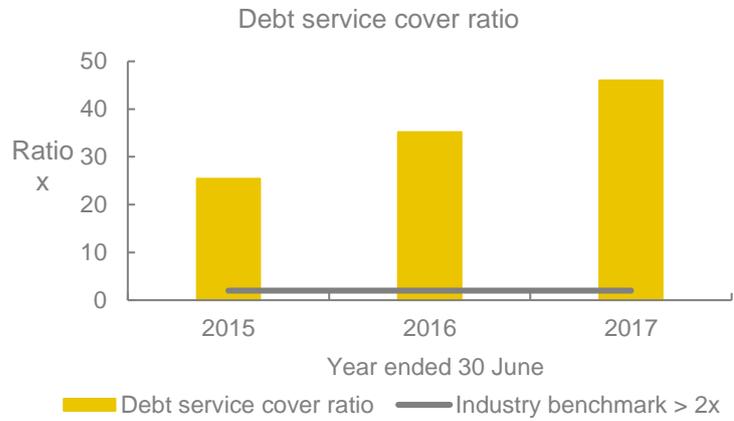
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years. The result reflects Council's low levels of debt.

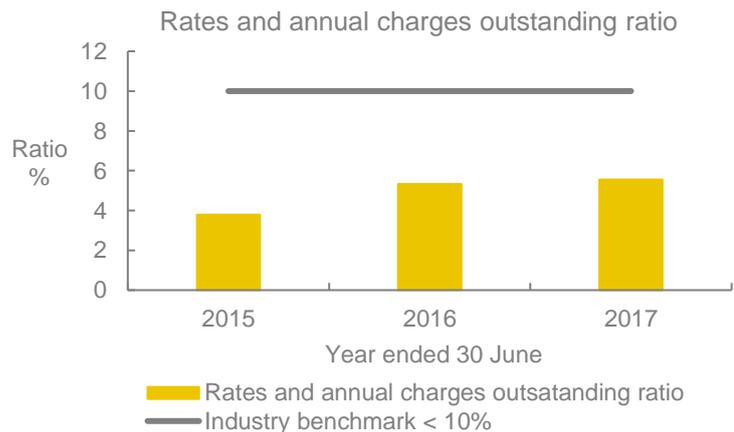
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. The ratio reflects Council's sustained effort to effectively manage rates and charges recovery.

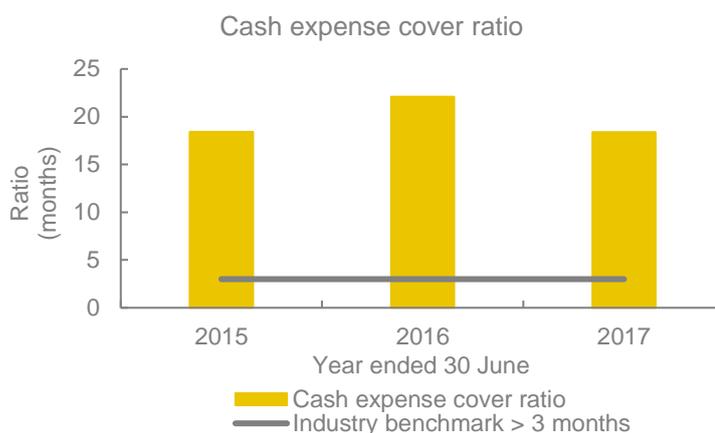
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's high levels of liquidity means its cash expense cover ratio far exceeded the industry benchmark over the past three years.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

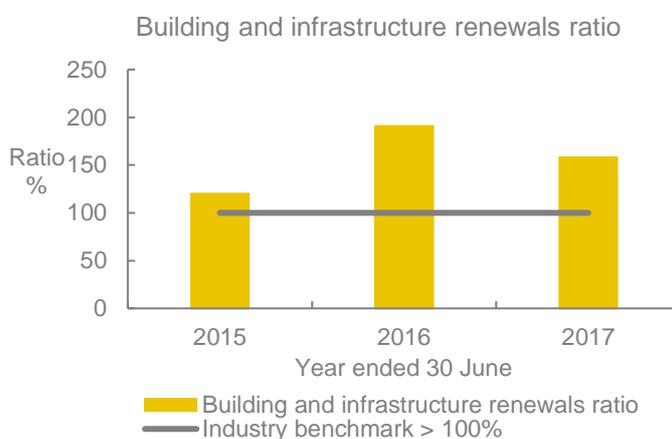


Building and infrastructure renewals ratio

Council met the building and infrastructure renewals ratio benchmark over the past three years. Council has continued to focus on the renewal of its assets to maintain them at a standard acceptable to the community.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Valuation of water and sewerage assets

The Office of Local Government established a timetable for the full revaluation of infrastructure, property, plant and equipment. A full revaluation of water and sewer infrastructure was due by 30 June 2017.

While the carrying value of water and sewer infrastructure has been indexed by the Department of Primary Industries water reference rates, management has not re-assessed the condition of the assets and their remaining useful lives as required by the NSW Local Government Code of Accounting Practice and AASB 116 'Property, Plant and Equipment'.

I performed supplementary procedures to be comfortable the risk of material misstatement is acceptably low; however, Council will need ensure they have complete the full revaluation of water and sewer infrastructure as soon as possible.

Council Entities

Council's interest in 'council entities' include:

- Central Tablelands Water
- Statewide Limited
- StateCover Limited
- Southern Phone Company Limited.

I have obtained sufficient audit evidence to be satisfied Council's general purpose financial statements materially reflect Council's interest in the entities.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Chris Clayton
Director, Financial Audit Services

cc: Mr Stephen Harding, General Manager
Mr Steve Kent, Chair of the Governance, Risk Management & Business Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

*“...providing sustainable local government to our rural communities
through consultation and sound financial management”*



Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 26 September 2017.



Kevin John Beatty
Mayor



Anthony Luke Durkin
Councillor



Stephen Harding
General manager



Evan Webb
Responsible accounting officer

Cabonne Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	435	395
User charges	695	762
Fees	–	–
Interest	71	79
Grants and contributions provided for non-capital purposes	12	12
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	4	6
Total income from continuing operations	1,217	1,254
Expenses from continuing operations		
Employee benefits and on-costs	206	234
Borrowing costs	–	–
Materials and contracts	578	565
Depreciation, amortisation and impairment	530	515
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	97	121
Total expenses from continuing operations	1,411	1,435
Surplus (deficit) from continuing operations before capital amounts	(194)	(181)
Grants and contributions provided for capital purposes	2,927	411
Surplus (deficit) from continuing operations after capital amounts	2,733	230
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	2,733	230
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	2,733	230
Plus opening retained profits	11,577	11,347
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	14,310	11,577
Return on capital %	-0.7%	-0.7%
Subsidy from Council	876	659
Calculation of dividend payable:		
Surplus (deficit) after tax	2,733	230
Less: capital grants and contributions (excluding developer contributions)	(2,927)	(411)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Cabonne Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,739	1,415
User charges	99	132
Liquid trade waste charges	–	–
Fees	–	–
Interest	64	69
Grants and contributions provided for non-capital purposes	111	116
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
Total income from continuing operations	2,013	1,732
Expenses from continuing operations		
Employee benefits and on-costs	301	301
Borrowing costs	145	157
Materials and contracts	727	880
Depreciation, amortisation and impairment	955	749
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	347	304
Total expenses from continuing operations	2,475	2,391
Surplus (deficit) from continuing operations before capital amounts	(462)	(659)
Grants and contributions provided for capital purposes	117	419
Surplus (deficit) from continuing operations after capital amounts	(345)	(240)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(345)	(240)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(345)	(240)
Plus opening retained profits	25,257	25,497
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	24,912	25,257
Return on capital %	-0.7%	-1.1%
Subsidy from Council	1,399	1,370
Calculation of dividend payable:		
Surplus (deficit) after tax	(345)	(240)
Less: capital grants and contributions (excluding developer contributions)	(117)	(419)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Cabonne Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Quarry	
	Category 2	
\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	–	–
User charges	1,194	2,079
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
Total income from continuing operations	1,194	2,079
Expenses from continuing operations		
Employee benefits and on-costs	430	494
Borrowing costs	–	–
Materials and contracts	722	610
Depreciation, amortisation and impairment	91	102
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Share of loss from equity accounted investment	–	–
Other expenses	291	389
Total expenses from continuing operations	1,534	1,595
Surplus (deficit) from continuing operations before capital amounts	(340)	484
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(340)	484
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(340)	484
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(145)
SURPLUS (DEFICIT) AFTER TAX	(340)	339
Plus opening retained profits	2,270	1,786
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	145
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	1,930	2,270
Return on capital %	-22.9%	36.7%
Subsidy from Council	375	–

Cabonne Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	3,359	3,080
Investments	–	–
Receivables	628	602
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	3,987	3,682
Non-current assets		
Investments	–	–
Receivables	54	77
Inventories	–	–
Infrastructure, property, plant and equipment	28,642	26,107
Investments accounted for using equity method	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	28,696	26,184
TOTAL ASSETS	32,683	29,866
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	173	365
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	173	365
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	173	365
NET ASSETS	32,510	29,501
EQUITY		
Retained earnings	14,310	11,577
Revaluation reserves	18,200	17,924
Other reserves	–	–
Council equity interest	32,510	29,501
Non-controlling equity interest	–	–
TOTAL EQUITY	32,510	29,501

Cabonne Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	2,188	2,242
Investments	–	–
Receivables	702	612
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	2,890	2,854
Non-current assets		
Investments	–	–
Receivables	171	160
Inventories	–	–
Infrastructure, property, plant and equipment	45,447	45,178
Investments accounted for using equity method	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	45,618	45,338
TOTAL ASSETS	48,508	48,192
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	41	63
Income received in advance	–	–
Borrowings	204	201
Provisions	–	–
Total current liabilities	245	264
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	2,113	2,317
Provisions	–	–
Total non-current liabilities	2,113	2,317
TOTAL LIABILITIES	2,358	2,581
NET ASSETS	46,150	45,611
EQUITY		
Retained earnings	24,912	25,257
Revaluation reserves	21,238	20,354
Other reserves	–	–
Council equity interest	46,150	45,611
Non-controlling equity interest	–	–
TOTAL EQUITY	46,150	45,611

Cabonne Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Quarry

Category 2

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,155	1,334
Investments	–	–
Receivables	73	110
Inventories	88	378
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,316	1,822
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	1,484	1,318
Intangible assets	–	–
Total non-current assets	1,484	1,318
TOTAL ASSETS	2,800	3,140
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	870	870
Total current liabilities	870	870
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	870	870
NET ASSETS	1,930	2,270
EQUITY		
Retained earnings	1,930	2,270
Revaluation reserves	–	–
Other reserves	–	–
Council equity interest	1,930	2,270
Non-controlling equity interest	–	–
TOTAL EQUITY	1,930	2,270

Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Cabonne Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Nil

Category 2

(where gross operating turnover is less than \$2 million)

a. Cabonne Council Combined Water Supplies

Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.

b. Cabonne Council Combined Sewerage Supplies

Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra. These are reported under two special rate funds:

- (i) Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and
- (ii) Small Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

c. Cabonne Council – Agricultural Quarry

Supplies agricultural lime, limestone aggregates and ready mixed concrete

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

Cabonne Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

Cabonne Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Cabonne Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	3,618
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	36,180
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(483,000)

2017 Surplus	(194,000)	2016 Surplus	(181,000)	2015 Surplus	(108,000)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Cabonne Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,190
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	58.49%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	23,515
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	805
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,794
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	-0.51%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	2,883

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Cabonne Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	4,761
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	47,610
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(1,587,000)

2017 Surplus	(462,000)	2016 Surplus	(659,000)	2015 Surplus	(466,000)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Cabonne Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,066
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	37,546
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,486
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	376
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.83%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

**National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)**

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	3,256
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.14%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,170
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.70%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Cabonne Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-4.11%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(495)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	37

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cabonne Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Quarry.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 26 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Clayton
Director, Financial Audit Services

23 October 2017
SYDNEY

Cabonne Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

*“...providing sustainable local government to our rural communities
through consultation and sound financial management”*



Cabonne Council

Special Schedules

for the year ended 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Cabonne Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	726	147	–	(579)
Administration	2,519	1,027	–	(1,492)
Public order and safety				
Fire service levy, fire protection, emergency services	765	12	328	(425)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	186	7	–	(179)
Other	–	5	–	5
Total public order and safety	951	24	328	(599)
Health	643	97	–	(546)
Environment				
Noxious plants and insect/vermin control	355	143	–	(212)
Other environmental protection	275	12	128	(135)
Solid waste management	1,507	1,650	–	143
Street cleaning	347	–	–	(347)
Drainage	347	–	–	(347)
Stormwater management	82	75	–	(7)
Total environment	2,913	1,880	128	(905)
Community services and education				
Administration and education	132	20	–	(112)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	746	747	–	1
Children's services	1,046	994	–	(52)
Total community services and education	1,924	1,761	–	(163)
Housing and community amenities				
Public cemeteries	208	58	–	(150)
Public conveniences	300	–	–	(300)
Street lighting	151	38	–	(113)
Town planning	157	326	–	169
Other community amenities	7	24	–	17
Total housing and community amenities	823	446	–	(377)
Water supplies	1,215	1,217	2,927	2,929
Sewerage services	2,310	2,013	117	(180)

Cabonne Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	351	56	–	(295)
Museums	260	1	150	(109)
Art galleries	–	–	–	–
Community centres and halls	340	4	–	(336)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	54	5	–	(49)
Sporting grounds and venues	460	2	–	(458)
Swimming pools	707	–	–	(707)
Parks and gardens (lakes)	844	3	–	(841)
Other sport and recreation	254	10	–	(244)
Total recreation and culture	3,270	81	150	(3,039)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	1,458	1,289	–	(169)
Total mining, manufacturing and const.	1,458	1,289	–	(169)
Transport and communication				
Urban roads (UR) – local	9,679	5,140	–	(4,539)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	1,597	2,167	1,019	1,589
Unsealed rural roads (URR) – local	–	–	724	724
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	273	–	–	(273)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	115	–	536	421
Parking areas	–	–	–	–
Footpaths	82	–	–	(82)
Aerodromes	–	–	–	–
Other transport and communication	5,739	9,115	–	3,376
Total transport and communication	17,485	16,422	2,279	1,216
Economic affairs				
Camping areas and caravan parks	259	138	–	(121)
Other economic affairs	448	277	–	(171)
Total economic affairs	707	415	–	(292)
Totals – functions	36,944	26,819	5,929	(4,196)
General purpose revenues ⁽¹⁾		17,557		17,557
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	36,944	44,376	5,929	13,361

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Cabonne Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	201	2,317	2,518	–	201	–	–	145	204	2,113	2,317
Other	–	–	–							–	–
Total loans	201	2,317	2,518	–	201	–	–	145	204	2,113	2,317
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	3	–	3	–	3	–	–	–	–	–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	3	–	3	–	3	–	–	–	–	–	–
Total debt	204	2,317	2,521	–	204	–	–	145	204	2,113	2,317

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Cabonne Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	112	104
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	81	61
b. Maintenance expenses	18	8
– Mains		
c. Operation expenses	127	134
d. Maintenance expenses	45	40
– Reservoirs		
e. Operation expenses	27	19
f. Maintenance expenses	13	2
– Pumping stations		
g. Operation expenses (excluding energy costs)	67	40
h. Energy costs	19	20
i. Maintenance expenses	13	17
– Treatment		
j. Operation expenses (excluding chemical costs)	181	166
k. Chemical costs	28	18
l. Maintenance expenses	51	34
– Other		
m. Operation expenses	23	31
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	459	448
b. Plant and equipment	71	67
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	76	226
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,411	1,435

Cabonne Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	362	329
b. Usage charges	510	522
7. Non-residential charges		
a. Access (including rates)	72	66
b. Usage charges	178	240
8. Extra charges		–
9. Interest income	71	79
10. Other income	11	5
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	2,883	405
b. Grants for pensioner rebates	12	12
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	45	7
13. Total income	4,144	1,665
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	2,733	230
15a. Operating result (less grants for acquisition of assets)	(150)	(175)

Cabonne Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	2,746	409
b. New assets for growth	–	–
c. Renewals	40	536
d. Plant and equipment	8	34
17. Repayment of debt	–	–
18. Totals	2,794	979
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	981	967
b. Residential (unoccupied, ie. vacant lot)	60	70
c. Non-residential (occupied)	157	160
d. Non-residential (unoccupied, ie. vacant lot)	8	10
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 21,856	\$ 22,730

Cabonne Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,359	–	3,359
26. Receivables			
a. Specific purpose grants	119	–	119
b. Rates and availability charges	64	–	64
c. User charges	361	54	415
d. Other	84	–	84
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets		23,515	23,515
b. Plant and equipment		5,127	5,127
29. Other assets	–	–	–
30. Total assets	<u>3,987</u>	<u>28,696</u>	<u>32,683</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	173	–	173
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>173</u>	<u>–</u>	<u>173</u>
36. NET ASSETS COMMITTED	<u>3,814</u>	<u>28,696</u>	<u>32,510</u>
EQUITY			
37. Accumulated surplus			14,328
38. Asset revaluation reserve			18,182
39. Other reserves			–
40. TOTAL EQUITY			<u>32,510</u>
Note to system assets:			
41. Current replacement cost of system assets			45,834
42. Accumulated current cost depreciation of system assets			(22,319)
43. Written down current cost of system assets			<u>23,515</u>

Cabonne Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	397	431
b. Engineering and supervision	108	73
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	128	117
b. Maintenance expenses	78	110
– Pumping stations		
c. Operation expenses (excluding energy costs)	182	162
d. Energy costs	23	16
e. Maintenance expenses	56	57
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	354	256
g. Chemical costs	4	4
h. Energy costs	43	46
i. Effluent management	11	11
j. Biosolids management	–	–
k. Maintenance expenses	82	97
– Other		
l. Operation expenses	20	58
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	809	562
b. Plant and equipment	146	187
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	34	204
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,475	2,391

Cabonne Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	1,526	1,257
7. Non-residential charges		
a. Access (including rates)	215	172
b. Usage charges	81	93
8. Trade waste charges		
a. Annual fees	14	25
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	64	69
11. Other income	2	–
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	291
b. Grants for pensioner rebates	25	25
c. Other grants	86	91
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	117	128
14. Total income	<u>2,130</u>	<u>2,151</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>(345)</u>	<u>(240)</u>
16a. Operating result (less grants for acquisition of assets)	(345)	(531)

Cabonne Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	341	809
c. Renewals	–	–
d. Plant and equipment	35	93
18. Repayment of debt	–	187
19. Totals	376	1,089
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,271	1,264
b. Residential (unoccupied, ie. vacant lot)	118	109
c. Non-residential (occupied)	181	180
d. Non-residential (unoccupied, ie. vacant lot)	17	17
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 46,223	\$ 46,100

Cabonne Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,188	–	2,188
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	29	–	29
c. User charges	669	171	840
d. Other	4	–	4
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	37,546	37,546
b. Plant and equipment	–	7,901	7,901
30. Other assets	–	–	–
31. Total assets	<u>2,890</u>	<u>45,618</u>	<u>48,508</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	41	–	41
34. Borrowings	204	2,113	2,317
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>245</u>	<u>2,113</u>	<u>2,358</u>
37. NET ASSETS COMMITTED	<u>2,645</u>	<u>43,505</u>	<u>46,150</u>
EQUITY			
38. Accumulated surplus			24,913
39. Asset revaluation reserve			21,237
40. Other reserves			–
41. TOTAL EQUITY			<u>46,150</u>
Note to system assets:			
42. Current replacement cost of system assets			49,482
43. Accumulated current cost depreciation of system assets			(11,936)
44. Written down current cost of system assets			<u>37,546</u>

Cabonne Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	4,965	4,965	107	73	28,549	63,149	22%	11%	36%	30%	1%
	Sub-total	4,965	4,965	107	73	28,369	63,149	22.0%	11.0%	36.0%	30.0%	1.0%
Other structures	Other structures	198	198	–	–	5,309	–	14%	24%	60%	2%	0%
	Sub-total	198	198	–	–	5,309	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	2,346	2,346	1,797	2,201	120,303	160,256	32%	58%	9%	1%	0%
	Unsealed roads	2,215	2,215	1,600	2,131	12,615	28,422	5%	27%	43%	21%	4%
	Bridges	1,194	1,194	49	1	46,457	57,603	40%	42%	8%	8%	2%
	Footpaths	128	128	124	24	4,066	5,944	20%	44%	33%	2%	1%
	Bulk earthworks	–	–	–	–	148,410	148,410	100%	0%	0%	0%	0%
	Kerb & Gutter	177	177	73	60	7,017	11,734	7%	40%	46%	6%	1%
	Road Structure	47	47	–	–	1,062	1,562	44%	22%	24%	8%	2%
	Sub-total	6,107	6,107	3,643	4,417	339,930	413,931	54.8%	32.0%	9.4%	3.2%	0.6%

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	96	96	452	539	23,702	46,334	13%	35%	51%	1%	0%
	Sub-total	96	96	452	539	23,702	46,334	13.0%	35.0%	51.0%	1.0%	0.0%
Sewerage network	Sewerage network	75	75	829	912	37,546	49,482	64%	27%	9%	0%	0%
	Sub-total	75	75	829	912	37,546	49,482	64.0%	27.0%	9.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	1,145	1,145	15	9	50,964	62,940	0%	0%	0%	0%	100%
	Sub-total	1,145	1,145	15	9	50,964	62,940	0.0%	0.0%	0.0%	0.0%	100.0%
Open space/recreational assets	Swimming pools	–	–	562	657	6,107	9,463	0%	0%	0%	0%	100%
	Open Spaces	31	31	–	–	1,702	3,255	2%	16%	80%	2%	0%
	Sub-total	31	31	562	657	7,809	12,718	0.5%	4.1%	20.5%	0.5%	74.4%
	TOTAL – ALL ASSETS	12,617	12,617	5,608	6,607	493,629	648,554	42.9%	26.1%	14.2%	5.0%	11.6%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>10,394</u>	135.99%	>= 100%	191.21%	120.19%
Depreciation, amortisation and impairment	<u>7,643</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>12,617</u>	3.60%	< 2.00%	2.76%	3.18%
Net carrying amount of infrastructure assets	<u>350,344</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>6,607</u>	1.18	> 1.00	0.91	0.91
Required asset maintenance	<u>5,608</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>12,617</u>	1.95%		0.00%	
Gross replacement cost	<u>648,554</u>				

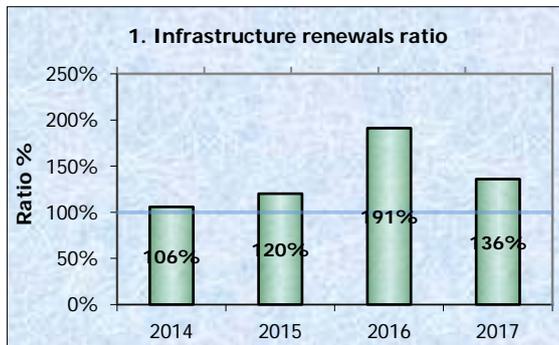
Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

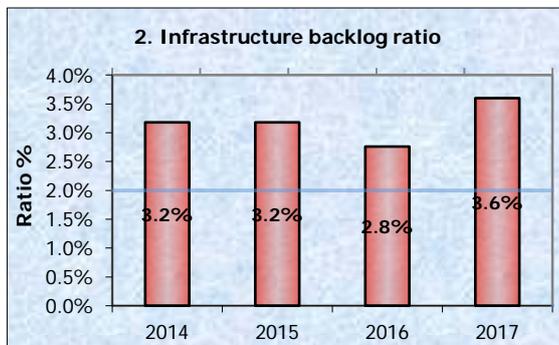
Commentary on 2016/17 result

2016/17 Ratio 135.99%

Council's Building and Infrastructure ratio continues to show that Council is spending in excess of the requirements set by the Department for the renewal of Assets.

Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 3.60%

While this ratio has not decreased against the previous year Council continues to strive to reduce the backlog. In excess of \$3million was injected into Council's Backlog program over this year.

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

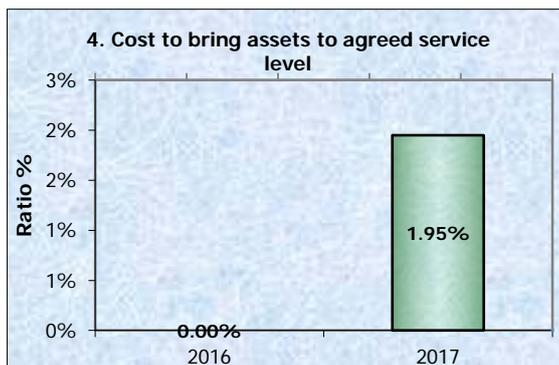
Commentary on 2016/17 result

2016/17 Ratio 1.18 x

Council has achieved a higher ratio compared to the previous year and is committed to our ongoing expansion of asset maintenance.

Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2016/17 result

2016/17 Ratio 1.95%

This ratio achieves the benchmark figure and while no comparison is available the result is pleasing. However, Council will strive to continue to reduce this level in coming Plans.

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>	>= 100%	1.51%	17.28%	160.89%
Depreciation, amortisation and impairment	prior period:	95.22%	63.87%	209.62%
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	0.41%	0.20%	4.31%
Net carrying amount of infrastructure assets	prior period:	0.40%	0.19%	3.33%
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>	> 1.00	1.19	1.10	1.19
Required asset maintenance	prior period:	0.79	0.90	0.93
4. Cost to bring assets to agreed service level				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		0.21%	0.15%	2.25%
Gross replacement cost				

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Cabonne Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	9,549	9,708
Plus or minus adjustments ⁽²⁾	b	26	20
Notional general income	c = (a + b)	9,575	9,728
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	172	146
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	9,747	9,874
Plus (or minus) last year's carry forward total	l	6	41
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	6	41
Total permissible income	o = k + n	9,753	9,915
Less notional general income yield	p	9,708	9,917
Catch-up or (excess) result	q = o – p	45	(2)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	4
Less unused catch-up ⁽⁵⁾	s	(4)	–
Carry forward to next year	t = q + r – s	41	2

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Cabonne Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Cabonne Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 26 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Chris Clayton
Director, Financial Audit Services

23 October 2017
SYDNEY